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1. ZORIN ELABORATES ON HIS 8 JULY
DISARMAMENT STATEMENT

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In a 9 July bilateral meeting with the United States, Soviet delegate Zorin expressed surprise at the negative reaction of the Western delegates to his

8 July statement in the subcommittee. He said everything in the statement was already included in the Soviet 7 June memorandum, just as the US delegate had placed in the record the US position as outlined on 31 May.

Zorin claimed that in some respects his 8 July statement represented an advance from the 7 June Soviet memorandum. In contrast, he thought that the latest Western proposals, which connect suspension of tests not only with a cessation of production but also with the reduction of armaments, were a step backward from the US views of 31 May and that the Western proposal for a committee of experts to study controls for suspension of tests would delay progress.

This led him to believe that the United States had not succeeded in securing the approval of other Western delegations for its positions of 31 May. He recommended additional bilateral meetings between the Soviet and other Western delegations.

Zorin said no further advances could be expected from the Soviet Union until the United States responded to the Soviet memorandum of 7 June.

2. DEPOSED SOVIET LEADERS GIVEN NEW JOBS

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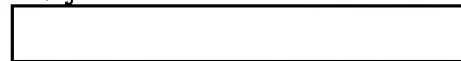


Moscow radio announced on 10 July that the "members of the Malenkov, Molotov and Kaganovich antiparty group," deposed in the June purge, had been transferred to other work. Malenkov has been assigned

to direct the Ust Kamenogorsk hydroelectric station in east Kazakhstan. The specific jobs of the other ousted leaders were not stated.

The broadcast revealed strong sensitivity to Western press and radio speculation that the recent wave of meetings and demonstrations in the USSR against the ousted leaders was preparation for a Stalinist-type liquidation of the purges, and insisted that they were justly condemned but were not being persecuted. The Communist Party is "not in the habit of taking petty revenge," it was explained.

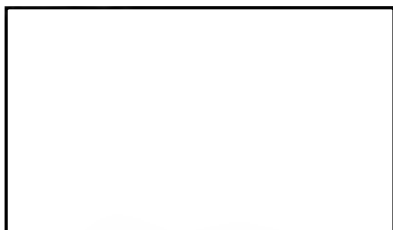
Though the possibility cannot be ruled out that further action might yet be taken against members of the "anti-party" group, Khrushchev has apparently ruled out the vindictive persecutions of the Stalinist period.



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3. PRESIDIUUM MAJORITY MAY HAVE OPPOSED KHRUSHCHEV

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A recent Soviet speech suggests that Khrushchev was confronted on 18 June by a majority within the Soviet party presidium who demanded that he step down as party secretary. Frol R. Kozlov, Leningrad party boss who was upped from candidate to full member of the presidium as a result of the recent purge, told a Leningrad party meeting on 2 July that the "antiparty group" carried on its work secretly, trying to organize members of the party presidium "in order to knock together a majority, even if temporary and formal," and to bring about a change in the membership of the presidium and secretariat of the party central committee. The American embassy comments that it is unlikely Kozlov would gratuitously imply that a majority of the presidium had been against the Khrushchev leadership unless this were true.

A line-up of the two sides would include Malenkov, Kaganovich, Molotov, Pervukhin, and possibly Bulganin and Voroshilov in the "majority" against Khrushchev and Mikoyan. Saburov was attending a CEMA meeting in Warsaw on 18 June, Kirichenko was at his home in Kiev, and Suslov, who did not appear publicly in Moscow from 19 May to 1 July, was probably on vacation. Candidate members do not vote in the presidium, but all candidate members present, except Shepilov, apparently supported Khrushchev in the argument, since they were promoted to full membership in the new expanded presidium.

If Bulganin and Voroshilov did side against Khrushchev, they will probably suffer in due course. They may be demoted to presidium candidate status like Pervukhin or ousted from the presidium like Saburov. Such action would probably be followed by loss of their government posts.

4. SOVIET LEADERS ARRIVE IN CZECHOSLOVAKIA

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Khrushchev's speeches since his arrival in Czechoslovakia on 9 July suggest that no sweeping changes in the Czech leadership are planned. Khrushchev stated that the Soviet leaders had come to make a

"friendly visit...not in order to settle any contentious questions or differences, for we are in full agreement." In his greeting to President Zapotocky in Prague, he stated that he felt the members of the Soviet delegation were now in the midst of "our closest relatives and faithful friends."

In their initial exchanges with the Soviets, the Czech leaders have appeared confident and apparently remain secure in their positions. Khrushchev has twice referred to Czech Party First Secretary Novotny in terms of glowing praise. Although not similarly praised, Premier Siroky made a major address at the official luncheon in Prague given for the Soviet delegation and attended by top members of the Czech government and party.

[REDACTED]

5. MAO TSE-TUNG REPORTEDLY APPROVES SOVIET
PARTY PURGE

Mao Tse-tung approves of the Soviet
party purge as strengthening those who
support the Chinese Communist view on
intrabloc relations,

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Mao reportedly expressed concern during Voroshilov's visit to Peiping in April over Soviet relations with Yugoslavia and Poland, arguing that bloc unity must be maintained despite differences in the domestic programs of Communist states. Peiping is said to believe that Khrushchev's first tasks are the restoration of good relations with Yugoslavia and the improvement of relations with Poland.

Comment

Peiping for the past year has advocated policies in intrabloc relations with which Khrushchev has been generally identified and which Molotov is known to have opposed.

In early 1957, when the Kremlin was publicly quarreling with Belgrade and Warsaw, the Chinese criticized the conduct of the dispute and suggested that differences should be ironed out in private. In recent months the Kremlin has been attempting to smooth over its disagreements with Yugoslav and Polish policies. Peiping probably feels that further efforts are in order.

6. BONN SEEN DESIRING AMPLIFICATION OF DISARMAMENT-REUNIFICATION LINK

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Despite the West German government's shift in recent weeks to a public position more favorable toward the London disarmament negotiations, the American embassy

in Bonn believes that actually the government is unenthusiastic, particularly as regards the European inspection zone. Embassy officials believe that in private meetings Bonn may seek a Western agreement spelling out the link between disarmament and reunification.

While Bonn will yield to popular opinion in supporting the principle of a European inspection zone, the embassy feels it may try to set certain conditions for such aspects as the location and extent of the area and the need to avoid recognizing the East German Communist regime. The Germans may also seek to influence the timing of action on reunification, possibly by pressing for Western agreement on a date for four-power talks with the USSR on that subject.

Comment

Despite Chancellor Adenauer's fears that a disarmament agreement would tend to perpetuate the split of Germany, the Bundestag election campaign is likely to cause the government to adapt its public stand more and more to the general eagerness in West Germany for a detente. Bonn may also have to limit its private lobbying in Western circles, in view of the danger that its demands might be leaked during the election campaign.

7. THE NEW JAPANESE CABINET

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The Japanese cabinet installed on 10 July replaces the one Prime Minister Nobusuke Kishi inherited from his predecessor last February and is designed to give the government more of a "Kishi look." No radical changes are expected in either domestic or foreign policy.

Kishi waited more than four months, until he had gained increased prestige and political strength from trips to Southeast Asia and the United States, before undertaking cabinet changes which might otherwise have precipitated a renewal of factional struggles within the conservative Liberal-Democratic Party. Kishi also changed officials in the top posts of the party and probably has consolidated his position. Some factional leaders, however, may not be completely satisfied.

The post of foreign minister, which had been held by Kishi himself, was given to Aichihiro Fujiyama, 60-year-old industrial magnate and president of the Japan Chamber of Commerce and Industry. His selection is an attempt to win greater support from Japanese business circles and to implement Kishi's insistence on "economic diplomacy," particularly with regard to Southeast Asia.

Mitsujiro Ishii was retained as deputy prime minister. Ichiro Kono, strong man of the former Hatoyama cabinet, was named director of the Economic Planning Board. Hayato Ikeda, whose refusal to surrender the finance portfolio had threatened to complicate the cabinet reshuffle, was dropped and replaced by Hisato Ichimada, former finance minister under Hatoyama.



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8. PEIPING MAY REPLACE NON-COMMUNIST CABINET MINISTERS

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The increasingly bitter attacks on non-Communist "rightists" by the Chinese Communist National People's Congress now in session suggest that Peiping is building up a case for discharging them from cabinet positions and expelling them from "democratic" puppet parties.

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On 10 July, one speaker at the congress urged all members of his party, the China Democratic League, to dissociate themselves "politically and ideologically" from the "rightists."

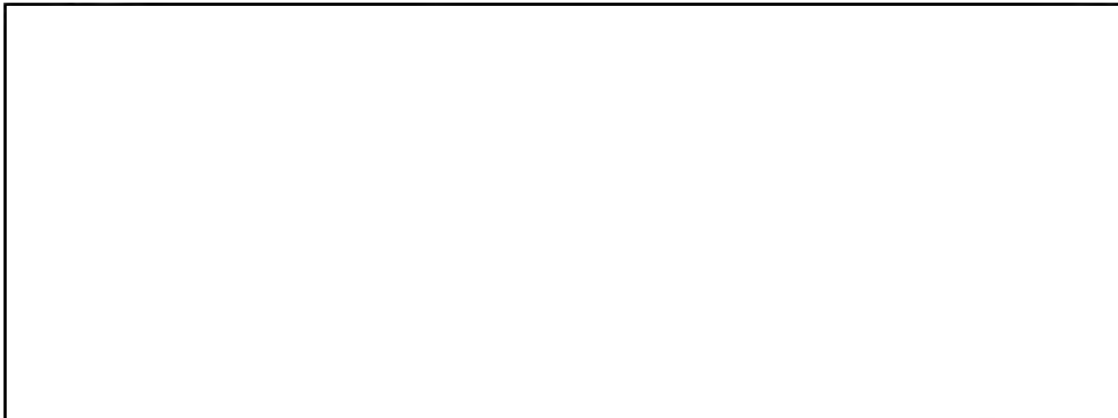
The ministers of communications, food and timber industry have drawn particularly sharp condemnation. On 8 July, Peiping reported that over 3,000 employees of the Ministry of Communications met to denounce the complaint of the minister, Chang Po-chun, that non-Communist officials have position but no authority. One employee criticized Chang for excessive absenteeism, failure to attend 37 out of 49 meetings of the ministry, and failure to fulfill his responsibilities.

Although the "rightists" may have originally felt there was some support for their positions within Communist Party ranks, no Communists have yet been singled out as coconspirators, and a party purge is apparently not imminent.

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9. NEHRU REPORTEDLY AGAIN CONSIDERING
RESIGNING AS PRIME MINISTER

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Vice President Radhakrishnan reportedly believes that if Nehru resigns as prime minister, either permanently or for a few months only, he will be replaced by Pandit Pant, the moderately conservative minister for home affairs. Pant is considered a logical choice to carry on the Congress Party's program, although Minister of Commerce and Industry Morarji Desai may challenge his position as ultimate successor.

On several past occasions when he has been under heavy stress, Nehru has considered stepping down as formal government leader in order to devote more time to party affairs and broader work for the welfare of India. The country is again entering a period of unusual strain, particularly in the economic field. The decision Nehru must face, now as before, is whether the country would be provided with stronger and more effective leadership if he retired. In the past he has decided each time that his continued leadership was needed.

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**10. COMMUNIST-INSPIRED PROTEST MEETING MAY
SPARK UNREST IN CHILE**

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A Communist-inspired National Command meeting, scheduled for 11 July in Santiago, Chile, to protest price increases may result in public disturb-

ances. The price increases of 6 July on essential consumer items were brought about by the abandonment of costly government subsidies which were causing serious budget deficits and endangering the US-backed economic stabilization program. A similar attempt in early April resulted in widespread disorders which forced the government to retract the price rises.

The National Command, composed of labor, student and left-wing political leaders, is reportedly planning boycotts and half-hour work stoppages. Communist Party leaders are considering mass action to give force to the protest. The government, which has taken extensive military and police preparations against potential trouble, appears confident and has partially relaxed the state of alert ordered on 5 July.

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